

City of Cleveland
 Application to Grant Opportunity
 Pathways to Removing Obstacles to Housing (PRO Housing)
 FN-6700-N-98

DRAFT FOR PUBLIC COMMENT

SEND COMMENTS TO MWACKERS@CLEVELANDOHIO.GOV

NO LATER THAN OCTOBER 27, 2023

CONTENTS

Executive Summary.....1

Threshold Requirements and Other Submission Requirements.....2

Need.....2

Soundness of Approach.....6

Capacity.....15

Leverage.....15

Long-term effect.....17

EXECUTIVE SUMMARY

To be completed with the final version...

THRESHOLD REQUIRMENTS AND OTHER SUBMISSION REQUIREMENTS

The applicant, City of Cleveland Department of Community Development, a State of Ohio local government, has no charges, cause determinations, lawsuits, or letters of findings referenced in Section D.1.a subparagraphs (1) – (5) of the NOFO that are not resolved. The applicant meets all of the eligible requirements outlined in Section IIID and E of the NOFO. The applicant held a public hearing on 10/25 at 10:00AM and has included information about this hearing in Attachment A (forthcoming).

NEED

In 2021, the City of Cleveland completed and adopted a 10-year housing strategy called, Cleveland 2030: A Housing Equity Plan (Housing Equity Plan) in order to make a meaning impact on creating access to decent, affordable housing and a range of housing options. To understand what strategies and investments were required to achieve that, the Housing Equity Plan did an extensive analysis of existing conditions and trends. The evidence revealed a number of conclusions across 5 issue areas:

Socioeconomic Trends

- The rate of population decline in Cleveland is slowing. Key demographic trends include the in-migration of younger, more educated residents; international in-migration; and aging in place.
- Household size continues to decline, with more and more households composed of just one or two members. A related trend is the increase in renter-ship as opposed to homeownership, since renter households tend to include fewer members.
- The share of both very young and senior-aged householders is growing as the share of middle-aged householders decline.
- Household incomes fell after the Great Recession and have not recovered.

The Housing Stock

- Most homes in Cleveland are single-family detached. Even in the rental market, this is true for about a third of homes. Most homes have 2-3 bedrooms, even as household sizes decline.
- Vacancy rates remain high, especially on the East Side. The number of severely deteriorated structures has declined due to demolitions, but the number of C-rated structures has grown, indicating continued maintenance challenges.

- Access to home improvement credit and City home repair assistance is limited.
- The volume of code violations has decreased since 2012, mostly due to a decline in condemnations.
- Home sales are rising, as are home prices. Outside investors continue to play a significant and two-edged role in Cleveland’s housing market—providing needed capital but in some cases contributing to blight.
- There is a lack of housing supply at both the high end and middle of the market, which increases cost pressure on lower-quality units and steers prospective higher-income residents to other jurisdictions.

Affordability

- Housing costs in Cleveland have declined, but housing has actually become less affordable as incomes have dropped and as deferred maintenance costs have accrued. As a result, over 20% of residents are severely housing cost burdened. - meaning they must devote more than half of every paycheck to housing. By contrast, only 15% of Ohio residents are severely housing cost burdened.
- High housing cost burdens leave residents vulnerable to displacement, not just in neighborhoods that may be gentrifying, but also in low-cost neighborhoods where a cycle of evictions repeatedly displaces low-income residents.
- Affordability challenges are exacerbated by an increasingly decentralized job market, which makes it difficult for car-less households to access employment, and by an under-performing school system.

Racial Inequities

- Racial and ethnic inequities appear in every component of Cleveland’s housing market. Black and Hispanic residents have consistently lower incomes than White residents. They apply for mortgages at lower rates and are denied at
- higher rates. They are segregated into high-poverty neighborhoods with low-quality housing that is nevertheless unaffordable to many residents. Blacks are starkly overrepresented among those experiencing eviction and homelessness.
- These inequities are perpetuated in the school system and in the spatial mismatch of predominantly Black neighborhoods and stable, accessible jobs.

Public Investment

- Since 2014, the city has significantly reduced support for home repairs and rehab and development loans and other subsidies.
- Absent additional efforts to support private lending, City investments are unlikely to “prime the pump” for further private lending in distressed neighborhoods. Values have dropped so significantly that regulatory lending requirements have effectively redlined entire sections of the city.
- A City/County partnership is near to achieving the number of permanent supportive housing units set out by the Cleveland Housing First Initiative in 2006. But efforts to

address less visible or chronic homelessness through greater housing affordability are crucial going forward.

Describe your efforts so far to identify, address, mitigate, or remove barriers to affordable housing production and preservation?

As mentioned above, the City of Cleveland developed and adopted a Housing Equity Plan to help guide the city over the next decade and systematically address the significant issues surround barrier to affordable housing production and preservation. The city has undertaken a number of steps in the past two years to help begin removing barriers. Using the Housing Equity Plan goals, the city has had several small successes that will hopefully demonstrates its commitment to implementing the plan and signaling the seriousness of changing affordable housing production and preservation in the future.

- 1. Housing Equity Plan Goal - Create a range of housing choices in all neighborhoods.**
In 2022, the City adopted a new residential tax abatement program that directs tax abatement incentives to neighborhoods historically underinvested or redlined, especially minority majority neighborhoods. All proposed affordable housing development are eligible to receive the maximum 100% tax abatement benefit. All proposed housing development in minority majority neighborhoods are eligible to receive the maximum 100% tax abatement benefit. This strategy is an effort to address the development costs associated with developing affordable and developing in historically redlined neighborhoods.
- 2. Housing Equity Plan Goal - Enforce housing standards without harming low-income property owners-** In 2023, the City completed a city-wide survey, grading and photographing condition, to provide up-to-date data on where attention is need through outreach, code enforcement, or investment. Older housing stock is much more likely to be occupied by low-income households and are more likely to have health and safety issues and lack accessibility features. Knowing where substandard housing is and directing investment to make that housing safe and affordable is a strategy in trying to preserve affordable housing in Cleveland.
- 3. Housing Equity Plan Goal - Ensure equitable participation in housing development-** In 2023, the city adopted a Community Benefits Agreement ordinance to require that all projects receiving \$250,000 or more in City assistance must meet specific goals related to minority or women contractor participation, low-income resident employment, and other benefits within the community.
- 4. Housing Equity Plan Goal - Ensure equitable participation in housing development-** Current, the Department of Community Development is undergoing a complete re-organization to align its structure and activities with its new department vision “*The Department of Community Development envisions a Cleveland where stakeholders are empowered to build the pathway to equity. This vision is realized by creating quality housing and vibrant neighborhoods that serve as the foundation for generational wealth and community prosperity.*” The department restructuring will also help shift the

department from a passive stance processing grant application to a strategic stance driving investments based on need or policy goals.

5. **Housing Equity Plan Goal - Create a predictable and practical development process-** The City Planning Commission is currently implementing a pilot program testing form-based code to help shift the City from a use based zoning approach to one that allows development by-right and minimizing the need to apply for variances. The Department of Community Development support the expansion of this pilot program citywide to clarify the regulatory approval process for affordable housing projects.
6. **Housing Equity Plan Goal – Increase awareness of, and access to, Cleveland’s housing programs.** The Department of Community Development has digitized its entire grant making apparatus and is developing a universal application for residents. Rather than apply to a particular program, the City is collecting the minimum amount of information that would make residents eligible for a variety of City run or partner run programs, therefore the needs of the resident can hopefully be addressed holistically. Anticipated roll-out for this universal application will be January 2024.

In the first year and a half, the City of Cleveland has create a foundation on which to continue further progress.

Do you have acute demand for affordable housing? What are your remaining affordable housing needs and how do you know?

While the City of Cleveland has a reputation as an affordable city from a national perspective, the reality for many Clevelanders is that decent and safe housing is generally unaffordable or inaccessible due to demand.

Nearly half of the City’s renters (45,000 households) are housing cost-burdened and one in four renters (25,000 households) are paying more than 50% of their household income on rent. (2022 ACS).

This severe housing cost-burden is also represented by the high number of evictions that the City see annual and the number people who experience homelessness each year.

Pre-COVID 1, there were about 9,000 evictions filed annually in Cleveland Housing Court. Most of these evictions involved Black female-headed households with minor children. With the sunseting of emergency rental assistance programs, ERA1 & ERA2, without other interventions evictions in the City of Cleveland are likely to return to pre-pandemic levels. The real solution to reducing the number of evictions in Cleveland to produce and preservice more affordable housing.

In 2019 there were 7,000 individuals and families who experience homelessness in the City of Cleveland. The majority are African American men which represent 70% of the homeless population. During the pandemic this number dropped to a little over 5,000. Again, as with evictions, we are likely going to see the homeless population rise again in Cleveland now that

pandemic rental programs are expiring. The real solution to reducing the number of those experiencing homelessness in Cleveland to produce and preserve more affordable housing.

In addition to the challenges of financial housing insecurity, Cleveland also faces a housing stock crisis. Current data suggest 55,600 currently habitable homes will need substantial repairs by 2030, and around 20,000 units would need to be built to replace those lost to severe deterioration. A loss of this many housing units without the required replacement would cause a housing stock crisis in Cleveland.

These four data points there is an acute need for more affordable housing. That is why the City's Housing Equity Plan identified a goal of need to produce 23,000 units of affordable housing in the next decade to address the current needs for Clevelanders.

What key barriers still exist and need to be addressed to produce and preserve more affordable housing?

The key barriers that exist and needs to be address are lending by private financial institutions, appraisals bias in minority-majority neighborhoods, implementing form-based zoning citywide, construction costs for affordable housing projects and constructions costs for entry-level or smaller homes, and affordable housing financing.

SOUNDNESS OF APPROACH

What is your vision?

The vision for the City of Cleveland is to develop an equitable housing market.

What is an equitable housing market?

A robust housing market provides affordable, decent, and desirable housing. But an equitable housing market takes this one step further: all Clevelanders, regardless of race, ethnicity, family status, or disability, have access to a full range of housing choices and neighborhoods. Furthermore, those who have historically been excluded from opportunities like homeownership, participation in housing trades, and leadership in housing-related decision-making are prioritized for these opportunities going forward. The result is diversity and inclusion in every aspect of the housing market, from governance to production to consumption and wealth creation.

The Housing Equity Plan established four pillars:

1. Protect- to protect households from housing instability and displacement;
2. Preserve- to preserve existing housing as safe, livable, and affordable;
3. Produce- to produce a range of housing types in all neighborhoods; and,
4. Position- to position the City of Cleveland and its partners to achieve these goals.

In order to address these needs, the City of Cleveland has set a target to protect, preserve, and produce 100,000 households and housing units over the next 10 year. These targets recognize

that the need for housing interventions is deepest at the lowest income levels. The market will likely produce additional units at higher income levels without interventions.

Protect Target- 35,600 households through equitable affordable interventions, including down payment assistance, affordable home loans, renter protections and legal aid, rental assistance, and property tax exemptions.

Preserve Target- 41,400 housing units through housing quality interventions, including home repair assistance, small landlord loans, and compassionate code enforcement.

Produce Target- 23,000 housing units through new construction or substantial rehabilitation supported by target development incentives, revised zoning, and streamlined approval processes.

List of Proposed Activities

Activity	Soundness of approach	Barriers addressed	Lead staff or agency
Position			
Implement, improve and expand the Universal Residential application		Lack of a one-stop-shop for residential to access all the programs available at the city and with partners to address their housing needs	Department of Community Development
Implement, improve and expand the Universal Developer application		Lack of a one-stop-shop for developers to access all the programs available at the City and with partners to address gap financing or tax abatement needs	Department of Community Development
Protect			
Expand Right to Counsel for individuals and families facing evictions	The City of Cleveland has funded a pilot program that serves a small fraction of those facing eviction each year. 93% of those that receive representation were able to avoid eviction	Lack of legal representation results in outcomes that could impact future housing choice.	Department of Community Development The Legal Aid Society of Cleveland

	or an involuntary move.		
Study and implement Source of Income protection	90% of voucher participants are minority in the City of Cleveland. 70% of the individuals experiencing homelessness are minorities in the City of Cleveland. The ability for landlord to not participate due to how the rent is paid prevents minorities in living where they choose. Providing this protection will provide renters in Cleveland greater housing choice.	Lack of housing choice, especially households with housing vouchers or participating in rapid rehousing programs	Department of Community Development Cuyahoga Metropolitan Housing Authority
Preserve			
Investigate and implement new strategies to preserve subsidized affordable housing		Availability of financing and subsidies for affordable housing	Department of Community Development Cuyahoga County Land Reutilization Commissioner Cuyahoga Port Authority
Expand the Community Engagement Specialist program to continue compassionate code enforcement	The City has operated a program that surveys properties and reaches out to property owners. The results have been very positive. Over 4,000 engagements with property owners occurred last year and connected them with resources such as exterior paint program and home	Capacity to conduct meaningful community engagement	Department of Community Development

	repair. Expanding the program and increasing the ability to refer would help build trust with the community in addition to investing resources where they are needed.		
Implement program to address Property Appraisal Bias		In minority majority neighborhoods there is significant issues with quality of information that result in appraisal bias causing lower rates of private lending in these neighborhoods	Department of Community Development
Produce			
Update Zoning and Implement Form-based Zoning Citywide	The Cleveland Planning Commission is piloting form-based zoning based on extensive public engagement in the neighborhoods of Detroit-Shoreway, Hough and the Opportunity Corridor.	Zoning and land use controls	Cleveland Planning Commission
Investigate and implement new strategies to construct affordable housing		Availability of financing and subsidies for affordable housing	Department of Community Development Cuyahoga County Land Reutilization Commissioner Cuyahoga Port Authority
Implement the Cleveland Tiny Home/Starter Home Program	The City of Cleveland has maintained a City	Lack of small, infill homes affordable to low and moderate income residents.	Department of Community Development

	<p>Land Bank of vacant parcels for 5 decades. In that time the inventory has grown to over 18,000 parcels. The vast majority of the City’s vacant parcels are approximately 4,000 square feet in size with 35 feet of frontage. In order to facilitate the reutilization of these types and to fill the need for housing at all price points, the Department of Community Development sees professional services to design three feasible economical infill housing types to spur the development of economically priced housing for the residents of Cleveland with a construction cost of \$100,000, \$175,000, \$250,000, as well as optional garage add-on and a Tiny Home concept to address unsheltered population.</p>	<p>Lack of small scale and minority developers.</p>	
--	---	---	--

What is your geographic scope?

These initiatives will be implemented citywide with particular effort to address minority-majority neighborhoods.

Who are your key stakeholders? How are you engaging them?

THIS ANSWER IS STILL IN DRAFT

How does your proposal align with requirements to affirmatively further fair housing?

HIS ANSWER IS STILL IN DRAFT

What are your budget and timeline proposals?

The following two tables overview the proposed budget and timeline for the use of PRO Housing funding.

Budget

Activity	Expense types	Total expenses	PRO Housing funds requested	Leveraged funds to date
Position				
Implement, improve and expand the Universal Residential application	IT costs	\$25,000	\$25,000	TBD
Implement, improve and expand the Universal Developer application	IT costs	\$25,000	\$25,000	TBD
Protect				
Expand Right to Counsel for individuals and families facing evictions	Contractual costs for legal representation	\$5,000,000	\$2,500,000	\$2,500,000
Study and implement Source of Income protection	consultant	\$50,000	\$50,000	TBD
Preserve				
Investigate and implement new strategies to preserve subsidized affordable housing	consultant	\$100,000	\$100,000	TBD

Expand the Community Engagement Specialist program to continue compassionate code enforcement	20 Community Engagement Specialist positions, full-time	\$7,500,000	\$2,500,000	\$5,000,000
Implement program to address Property Appraisal Bias	Contractual costs for realtor training and technical assistance / service	\$750,000	\$750,000	TBD
Produce				
Update Zoning and Implement Form-based Zoning Citywide	TBD	\$2,000,000	\$2,000,000	TBD
Investigate and implement new strategies to construct affordable housing	consultant	\$100,000	\$100,000	TBD
Implement the Cleveland Tiny Home Program	Construction Financing and Gap Financing	\$1,000,000	\$1,000,000	\$1,000,000
Total				
		\$17,600,000	\$9,100,000	\$8,500,000

Timeline

Activity	2024	2025	2026	2027	2028	2029
Position						
Implement, improve and expand the Universal Residential application	Implement universal application					
Implement, improve and expand the Universal Developer application	Implement universal application					
Protect						
Expand Right to Counsel for	Pilot expansion	Finalize expansion of Right to				

individuals and families facing evictions		Counsel Program				
Study and implement Source of Income protection	Hire consultant. Present Findings and Recommendations	Introduce Legislation				
Preserve						
Investigate and implement new strategies to preserve subsidized affordable housing	Hire consultant. Present Findings and Recommendations	Fund and Implement new strategies				
Expand the Community Engagement Specialist program to continue compassionate code enforcement	Expand program to 20 specialist	Engage with 6,000 property owners	Engage with 6,000 property owners	Engage with 6,000 property owners	Engage with 6,000 property owners	Engage with 6,000 property owners
Implement program to address Property Appraisal Bias	Hire partner to implement property appraisal bias interventions	Improve market information and ensure property transactions qualify as "comps"	Improve market information and ensure property transactions qualify as "comps"	Improve market information and ensure property transactions qualify as "comps"	Improve market information and ensure property transactions qualify as "comps"	Improve market information and ensure property transactions qualify as "comps"
Produce						
Update Zoning and Implement Form-based Zoning Citywide						
Investigate and implement new strategies to construct affordable housing	Hire consultant. Present Findings and Recommendations	Fund and Implement new strategies				
Implement the Cleveland Tiny Home Program	Identify pilot properties	10 homes	10 homes	10 homes	10 homes	10 homes

CAPACITY

What capacity do you and your Partner(s) have? What is your staffing plan?

LEVERAGE

Are you leveraging other funding or non-financial contributions?

The proposed activities would leverage at least an additional \$6.5 million in funding from public sources. Five activities are planning to raise leverage funds but have not yet received firm commitments so are not yet included.

Activity	Leverage fund source	Total expenses	PRO Housing funds requested	Leveraged funds to date
Position				
Implement, improve and expand the Universal Residential application	In-kind staff hours	\$25,000	\$25,000	TBD
Implement, improve and expand the Universal Developer application	In-kind staff hours	\$25,000	\$25,000	TBD
Protect				
Expand Right to Counsel for individuals and families facing evictions	City General Fund, \$500,000 per year for 5 years	\$5,000,000	\$2,500,000	\$2,500,000
Study and implement Source of Income protection	In-kind staff hours	\$50,000	\$50,000	TBD
Preserve				
Investigate and implement new strategies to preserve subsidized affordable housing	In-kind staff hours	\$100,000	\$100,000	TBD
Expand the Community	City General Fund, \$1M per year for 5 years	\$7,500,000	\$2,500,000	\$5,000,000

Engagement Specialist program to continue compassionate code enforcement				
Implement program to address Property Appraisal Bias	In-kind staff hours	\$750,000	\$750,000	TBD
Produce				
Update Zoning and Implement Form-based Zoning Citywide	In-kind staff hours	\$2,000,000	\$2,000,000	TBD
Investigate and implement new strategies to construct affordable housing	In-kind staff hours	\$100,000	\$100,000	TBD
Implement the Cleveland Tiny Home Program	City Housing Bond Gap Financing	\$1,000,000	\$1,000,000	\$1,000,000
Total				
		\$17,600,000	\$9,100,000	\$8,500,000

LONG-TERM EFFECT

What permanent, long-term effects will your proposal have? What outcomes do you expect?

The Housing Equity Plan shined a light on the scale of the housing challenges and what it would take to address them. The issues are systemic and have profound implications if not addressed. As a result, the City has allocated a significant share of resources from the American Rescue Plan Act to meet housing needs throughout the city. As a result, over 1300 units of affordable housing are under production, more than triple what is typically under production.

However, on time investments into affordable housing solves only a small portion of the problem. The systemic issues such as appraisal bias undercut the investments the city makes and erodes the potential for generational wealth in our minority-majority neighborhoods.

The activities contained in this proposal seek to address the underlying issues identified in the Housing Equity Plan. Cleveland needs to position itself through capacity, resources, and tools to address the challenges it faces. Cleveland needs to protect residents from housing instability and

displacement. Cleveland needs to preserve its existing housing while making it safe, livable, and affordable. Finally, Cleveland needs to produce a range of housing types in all neighborhoods.

To ensure that this investment will result in long-term positive effects, the Department of Community Development will need to track several metrics to monitor the impact of these investments. Here are the metrics the Department would like to monitor and to ensure that each of these activities is measurable.

Metrics tracked

Activity	Metric
Position	
Implement, improve and expand the Universal Residential application	Universal Residential Application line online Track number of application received Track number of application approved Track amount of resources invested Track the number of minority and women property owner
Implement, improve and expand the Universal Developer application	Universal Developer Application line online Track number of application received Track number of application approved Track amount of resources invested Track the number of minority and women developers
Protect	
Expand Right to Counsel for individuals and families facing evictions	Track the number eviction cases in Municipal Housing Court Track the number positive outcomes resulting from legal representation
Study and implement Source of Income protection	Complete a study on Source of Income Protection Introduce an ordinance for source of income protection Adopt an ordinance for source of income protection
Preserve	
Investigate and implement new strategies to preserve subsidized affordable housing	Complete a study on new strategies to preserve subsidized affordable housing Implement at least one new strategy Track number of projects utilizing new strategy Track amount of resources invested through new strategy Track the number of minority and women property owner
Expand the Community Engagement Specialist program to continue compassionate code enforcement	Hire 5 additional Community Engagement Specialists Survey property conditions of 20,000 properties per year Outreach to 6,000 property owners per year Track number of property owners referred to resources or assisted.

Implement program to address Property Appraisal Bias	Select a program partner that can train realtors Number of properties assisted with listing enhancement (high quality written descriptions and high-quality photos that will act as “comps” for appraisals) Maintain a database of “comps” for the public and appraiser to utilize
Produce	
Update Zoning and Implement Form-based Zoning Citywide	Implement Form-based Zoning Citywide Track the number of zoning changes that benefit affordable housing development
Investigate and implement new strategies to construct affordable housing	Complete a study on new strategies to construct affordable housing Implement at least one new strategy Track number of projects utilizing new strategy Track amount of resources invested through new strategy Track the number of minority and women developers owner
Implement the Cleveland Tiny Home Program	Design new conceptual Tiny /Starter Homes Construct 1 model Tiny/Starter Home Construct 50 Tiny/Starter Homes Track the number of minority and women contractors Track the number of minority and women purchasers

Challenges we may face

The neighborhoods that need these activities the most, minority-majority neighborhoods, the biggest challenge will be trust. The Department of Community Development has had a long track record working in these neighborhoods and the key is not one-time investments, but a long-term commitment, especially when it relates to issues where we see to protect our residents. Address appraisal bias, providing source of income protection or providing legal representation during eviction proceedings requires building trust.

The community will need to learn that these are not one-time efforts but a new direction that the City of Cleveland is navigating. Community Engagement Specialist will be the face of these efforts in many ways and will be conduit that the Department of Community Development builds trust with these communities that have been let down so many times before by segregation, redlining and disinvestment.

Activating new actors

The Department of Community Development wants its programs to reflect the diversity and richness of Cleveland. To that end we want to ensure that from developer to clients, we are serving those that reflect Cleveland. To achieve this, we need to activate new actors including

contractors and developers. We also need to help ensure that we can help them be successful if we are able to attract them

Political

Part of our proposal is to pass new protects, such as source of income protection, or expand a legal right to representation in housing court or changing the way zoning works. Each of these activities will require information and data to have an engaged public discussion about why it matter to make these changes. This changes will not be easy, but this PRO Housing investment will ensure that the conversation will at least be had in Cleveland.